

## Ep. 4 | Bolsa Familia | Flagship Special Episode

**Jo Sharpe:** Hello and welcome to the Social Protection Podcast. I'm your host, Jo Sharpe. Once in a while, a social protection programme becomes famous. These programmes somehow become part of the popular imagery serving as an international reference of what to do or not to do. These flagship programmes have been researched and evaluated thoroughly for many years, but while you may know their main features and the headline facts, you're probably less familiar with the disagreement, compromise and evolution that has made them what they are today.

In this episode, we bring you the stories behind Brazil's [Bolsa Familia](#), a conditional cash transfer program, or CCT, established in 2003, that has served as a template for many similar programmes in other countries. We'll speak with the designers and implementers who have worked on Bolsa Familia throughout its 18-year history about the design choices they disputed and the hard-won lessons they learned and in light of the recent announcement of a provisional, but contentious new programme that could replace Bolsa Familia in Brazil, we'll hear their different ideas on where programs like Bolsa Familia should go from here.

**Luis Henrique Paiva:** Let's go back to 2003.

**Jo Sharpe:** This is [Luis Henrique Paiva](#).

He worked at the implementation team of Bolsa Familia from 2010 to 2015 and served as national secretary of the programme. He continues to research and write about the programme as a public policy specialist.

**Luis Henrique Paiva:** That time, the country had three cash transfers that were operational at the national level.

There was a clear perception that these programmes should be unified. After the election in the first year of Lula administration, they unified these programmes and created Bolsa Família. At that point, it created the conditions to have a broader, larger, more effective programme, but it wasn't necessary to make it work.

The essential features are pretty much the essential features of conditional cash transfers, in other words, we transfer cash, not in kind. These programmes have focus on families, not individuals. It's a targeted programme that it tries to reach poor families. And finally, it's conditional. In other words, there are a few conditions that the family must comply to in order to receive the benefit.

**Tereza Cotta:** The thing is in Brazil, in the 2000 / 2002, we had different CCTs at the federal government, we had different kinds of grants that you have different ministries with different databases and different eligibility criteria. So, it was a little bit of a mess because they are not efficient and they're not effective enough because they were fragmented.

**Jo Sharpe:** This is Tereza Cotta. She was part of the working group that designed Bolsa Família and has worked on the programme from various ministries for the past 18 years.

**Tereza Cotta:** There was this widespread opinion that you should do something about it, you should continue these programmes, but you should not have a lot of different programmes.

And then this is how Bolsa Família started, they put together a team. You gather all people that had different programmes, everybody at the same group, trying to design this programme and also specialists and public servants. And it was completely insane because you had people are losing power and losing their programmes and there was a reaction about it.

And there wasn't a clear leadership in the social area, in the government.

**Ricardo Paes de Barros:** The whole change in the mindset was that during the first Fernando Henrique presidency, The people, the ministers were engaging in idea that poverty was such a complicated issue, requires a very comprehensive approach and very complex things and so on.

So it's not something that we could just solve. So, it will take a long time and it be complicated.

**Jo Sharpe:** This is Ricardo Paes de Barros, he has been a researcher on social policy, inequality and labor at Brazil's [National Institute for Applied Economic Research](#) for over 20 years, his research has helped to inform Bolsa Familia from the outset.

**Ricardo Paes de Barros:** There was two new discoveries at that point. First that income matters. Some people say no, what the poor needs is not income. It's multiple things. It's a very complicated. No, no, no money matters. So, if we double their income, they'll be very happy and they can, with this money fulfill a lot of social rights.

The second thing was arithmetics, it's basic arithmetics. Poverty is ridiculously unexpensive. Because they work the whole year to earn, 10% of the population, 20 million people work the whole year to earn 5% of GDP. Brazil was so unequal. It's a feature of a middle income country with huge level of inequality that helping the poor it's a ridiculously small financial effort.

Putting those two things together at that point in time, Brazil was creating a fund to fight poverty. So, we can find the poor, income matters and we have the money. So, let's do it.

**Jo Sharpe:** Conditions are, of course, at the heart of Bolsa Familia. These include a requirement for families to maintain school attendance for children, as well as comply with basic healthcare demands for vulnerable groups, such as children and pregnant women.

There's plenty of debate within the international community about where the conditions like these are effective or necessary and different views persist. Even amongst those closely involved with the Bolsa Familia programme.

**Ricardo Paes de Barros:** I was actually not a great fan of the conditionalities. I'm completely in favor of the autonomy of the poor family.

I think this issue of conditionality is a little bit paternalistic and I didn't like it very much, but I think Bolsa Família gain a lot of political mileage from this, a lot of people think this is a great idea. I would say that removing the conditionality is very politically sensitive. There's some evidence that this really give the right incentives for investments in human capital.

I agree on that, but there's a loss of liberty of choice. I'm not saying that it's not effective and I would prefer a worse programme just because I think this would give more protagonism and autonomy to people. And I think this is good and I would pay a price for that, but I agree it's more efficient if we do it in a conditional way.

**Tereza Cotta:** I remember being very mad when I was at the design group, because I really thought that we should have an unconditional cash transfer programme back then. And I thought the idea of deserving your transfer, I was infuriated by this idea. Back then you do not have conditions to have an unconditional cash transfers because people had this idea that the poor people should deserve what they were receiving. So, they think conditionality about sticks and carrots. And this is not really how conditionalities in Bolsa Família works, but it was the feeling at the time. So, you also had to work a lot on conditionalities in order to regulate them, in order to make the arrangements with the ministries of education and health, or conditionalities to work.

Bolsa Família works because it didn't try to do everything by itself. It works because it tries to work with the municipalities and it works because it tries to follow conditionalities using the networks that are already there.

**Luis Henrique Paiva:** The idea about the conditionalities it's something very punitive. So if families don't comply families, don't send kids to the school, you should cut their benefits as soon as possible in order to create a strong incentive for them to, a negative but incentive anyway, for them to come back to school, etc. And later on, at least from the perspective of the people that were working on the programme, conditionalities are a bit ineffective actually, because if families are not sending kids to the school, probably there is something very wrong with the family and we should get to them and with social assistance teams to check what is going on and to try to help them.

Cutting benefits is something that is not going to help at all. And that was a hard turning point without making any great or a perceptible changing the legislation. We changed the way conditionalities were implemented and adopted that soft version of it. For families to have their benefits cut, there are a series of warnings.

Firstly, they receive the letters, later on they have their benefits cut for one month, but they can withdraw the benefits in the next month, etc. Our idea is never lose contact with the family. Because if you cut the benefit and lose contact with the family, it's the worst possible situation.

**Jo Sharpe:** Monitoring compliance to conditionalities can be difficult and expensive. Programmes may not have the real capacity to properly check if the people are meeting their obligations. Let alone follow up with solutions.

**Luis Henrique Paiva:** When countries have strong bureaucratic difficulties to monitor conditionalities and they want to have a sort of conditional cash transfer, they should all label it as conditional. And remember the family that they should take their kids to school. They should go to see doctors in a regular basis. But leave it as a label. Don't spend too much time trying to control families. Label it and probably the label will have some impact because you were emphasizing how important education in health services are and that they have the rights to education in the ride, and to health services. So only labelling is relevant.

**Tereza Cotta:** Looking back, I think Bolsa Familia has transformed as very dangerous thought about the sticks and carrots of the CCT model.

I think Bolsa Família has made it in a different way. And it was very positive for the families that are in the programme. This is not to punish the families that did not comply with conditionalities. The idea was to identify how many families are not being able to comply, to send their kids to school, to keep with the health agenda of the children and then to make possible to offer these services to them. Right now, I look back and I think I was wrong. Really was nice, because we did it in a very intelligent way, in a way that favors the families.

**Jo Sharpe:** Bolsa Família is a poverty targeted programme in its original design, local governments and municipalities were responsible for applying means tests to determine who was poorest with beneficiary data stored in Brazil single registry or Cadastro Único.

Poverty targeting is a common approach in social protection, one way to ration benefits to manage costs. But as the case of Bolsa Família demonstrates it isn't straightforward. And as in many countries, there are tradeoffs between how many people are covered and how much they receive.

**Luis Henrique Paiva:** I think that what programmes conditional cash transfers like Bolsa Família have contributed to this debate is that they demonstrate that developing countries can successfully implement targeted programs, because many scholars have putting doubts that developing countries' bureaucracies could make it work.

**Tereza Cotta:** I remember that these two challenges were most important. How many people do we really have to reach with posts or media and how can we keep on constantly improving the quality of the registry in order to make sure that we are giving benefits to the people that really have to receive these benefits.

In Brazil we talk a lot about inclusion errors, but it really is not the problem of the programme. People that say that say without looking at the data. This is very sad to say, but it's true because even back then, we already had a very satisfactory level of focalization as we call in Brazil because the programme expanded its coverage without losing focus. Even working with self-declared income. So, people really cannot accept that people are going to self-declare

their income and that we have to check this declaration afterwards, after that with Brasilia's Without Extreme Poverty plan, the idea was to reach the people that the programme could not reach, because they were not covered by the social assistance network. They do not have access to information. And they live in very far away places from the central government. The priority after this period was really to focus on the exclusion errors.

When you discuss this kind of programme with ideological positions on your mind, you only think about the inclusion errors. Even if the data doesn't show it to you. But I think it's a bias when you analyze this kind of programme, it has to do with their vision on social protection. How each kind of society do you want to have, and what's the role of the state, what if the state can offer protection to people that cannot provide for themselves, through the markets or through the families.

**Luis Henrique Paiva:** But should we adopt the targeted programmes or should we go for a more universal approach? This is a completely different question and I'm not very sure that Bolsa Família have given a permanent answer. I have to say that I don't believe that a typical universal approach will be feasible, and not only for developing countries, but also for developed countries, actually.

**Ricardo Paes de Barros:** I keep telling the government that we need a programme that benefits fewer people and give a better benefit. We need a larger benefit for fewer people. We are dispersing too much of our resources around too many people, but every time we talk to the government about giving benefits to fewer people, they say, oh no, let's talk about something else.

**Tereza Cotta:** There was a lot of controversy in Brazil about how many poor and extreme poor people do we really have. Because we do not have an official poverty line from the beginning, we knew that eligibility lines of Bolsa Família were very low because they were defined at the minimum level. The amount of a budget that is going to be allocated in the programme is decided by the government in place.

And the consequence of this is that this is a discretionary policy. This is a big problem in the Bolsa Família, because right now you have eligibility lines that are very low. The value of design is compared to very low-income countries. This is ridiculous. We should have made the programme as a right, not as a discretionary programme that any government should give or so.

I think a biggest mistake was not to be able to negotiate a mechanism to periodically update the value of the eligibility lines and the values of the benefits, because right now the governments do whatever they want to Bolsa Família programme.

**Jo Sharpe:** Programmes like Bolsa Família, along with programmes like Mexico's Progresa established a kind of template for conditional cash transfers that have been adapted in many countries.

So why has it been so influential?

**Ricardo Paes de Barros:** It makes the obvious points that everybody in the world can fight extreme poverty in a very effective way. It makes clear that money matters and a little bit of money in the hands of the poor it's a good idea, which is obvious. So every country can do that in to some extent, but also Brazil was able to implement this.

It's a very simple idea, but can it be done? Can we really find the poor? And give them the money? So actually, I think Brazil was an example of a gigantic country that could do it in a very large scale.

**Luis Henrique Paiva:** People here in Brazil, started demonstrating that the programme had a very good impact on poverty reduction. Let me just qualify this last statement because it's got a very good impact, considering its budget, but these programmes have quite limited budget, Bolsa Família costs 0.4% of GDP. It's a very low-cost programme. So, no one can believe that we are going to eradicate poverty spending 0.5% of GDP, is not going to work. So nowadays we can say that extreme poverty would be like one third larger than it is today without the Bolsa Família programme.

I mean, it's massive when you consider that it costs 0.4% of GDP. It's a very little costs compared to the impact, but even so it's a limited impact.

**Ricardo Paes de Barros:** A little bit mixed with the idea that the poverty in Brazil was going down by so much that people may have the wrong feeling that was because of Bolsa Família. The reduction in poverty and extreme poverty during Lula and President Dilma administration was enormous, was gigantic, but just a small part of that was Bolsa Família, most of the declining poverty was productive inclusion.

And that's not recognize all over the world. We decline extreme poverty at a rate that was four times faster than the millennial development goals. So was very fast. But only one fourth of that was actually Bolsa Família and Bolsa Família you cannot really keep going in reducing in a dynamic way.

**Luis Henrique Paiva:** There was a tendency for us to believe that our relevance is actually larger than it is. Cash transfers have been in place before Bolsa Família and conditionalities we're also in place in not exactly the same kind of programme. I believe that everything it's a process. And we are not parents of these what are going on in 70 countries. It's a process. Every country adds to these new social protection. But we have a lot that we should be learning from these new experiences and actually try and be proved and to think about the next step side, instead of being here and say, oh, how good we are.

**Jo Sharpe:** Like established social protection programmes all over the world, Bolsa Família was pressed into service to respond to the economic impacts of COVID-19. At the same time, the government also established Auxílio Emergencial, an emergency aid programme. It provided temporary cash transfers to 28 million informal and low income workers.

**Luis Henrique Paiva:** I truly believe that the Brazilian experience with Bolsa Família and the Cadastro Único was essential for the country to give a rapid and effective response to COVID-19.

If it was possible to reach families that were not exactly poor or vulnerable, but that had been hit by the crisis, it has to do with the fact that we've been working for almost 20 years with the Bolsa Família programme and with Cadastro Único. And I believe that Auxílio Emergencial gave us a lot of lessons.

First lesson is that it's massive. It would cost if we adopted it permanently like 7% of GDP. Keep in mind that Bolsa Família cost is 0.4%. Obviously, it's not affordable, but it's very difficult for any government to go back to Bolsa Família. For Bolsa Família, Bolsa Família it has a budget, and we have to limit the number of families based on the budget, all the other programmes in our social protection you have to adapt budget to the number of beneficiaries and Bolsa Família is the only one that we have to adapt the number of beneficiaries due to the budget. And Auxílio Emergencial didn't have this limit of budget as well. I think that Auxílio Emergencial, push us towards a more rights-based approach.

**Jo Sharpe:** As we were preparing this episode, the government of Brazil announced a new provisional programme that could replace Bolsa Família, the Auxílio Brasil programme.

This new programme will reportedly reach more families, 16 million compared with Bolsa Família's 14.6 million, and increase the basic benefit by up to 50%. But it also comes with more contentious features. The proposed design introduces additional payments for children, rewarding academic and athletic achievement, or for adults who enter formal sector employment.

Formalizing this programme will require approval from both the Congress and the Senate to become permanent and the details remain to be seen, but the idea of a new programme to replace the 18-year-old Bolsa Família has understandably created waves amongst social protection practitioners in Brazil. So with change on the horizon, we'll conclude with our experts reflections on what the future of the programme should look like.

**Luis Henrique Paiva:** I truly believe that we are going to move to a more rights-based approach to conditionalities. In other words, we are going to monitor if families are attending conditionalities, not to punish them, but to be absolutely sure that kids are in the school, in that families have access to health services and nothing more than that.

With no punitivism related to this programme. I'm really sure we were going in this direction.

**Ricardo Paes de Barros:** I think the production inclusion, sometimes it's a kind of a dream. I mean, it's much harder. And the evidence is much weaker that we can really design things that really going to be working, and it's not easy, but I think the right to self-reliance, it's a fundamental human right and we have to do everything we can to make people to be able to rely on themselves.



And it doesn't matter how much it would cost to make everybody productive and capable of fulfill of all their basic needs based on their own account. But it's a goal and it's hard to do. And if Brazil, if Bolsa Família has any future it's in the direction of Brasil Sem Miséria, with a very solid productive inclusion, in particular, to the extent that we are going to move out of this pandemic.

So if it was already a fundamental programme, nowadays, it's an imperative.

**Tereza Cotta:** After the pandemic and after the context of 2020 / 2021, the experts have been discussing how to change Bolsa Família into an unconditional cash transfer programme directed to the children. A basic income to families, poor families with children.

I think that will be okay. I think that the programme should be going this way, but I am really sad about seeing the programme come back to that time when you discussed that people should or not deserve to receive the benefits. I think the perceptions were always the idea that people should deserve to receive these trenches.

And I think this idea is coming back again. They really think that we cannot simply pay the cash transfer to these families. They have to deserve it. They have to have outstanding performance in schools, in sports. The adults have to try to look for work as if they don't try to look for work. We used to joke about it saying that the governments have the tendency to think that you can have, an ejection button, when you are in the CCT programme that you push this button, boom, poor families are not poor anymore. And then you are going to answer the former labor market and everything is going to be okay. This just doesn't happen that way. It takes time. It takes generations. It takes an economy which is growing, which has a dynamic that is absorbing workers and vulnerable workers. This is not every period of an economy that it's suitable for this to happen. It's a mess. It's a mess because you really, you do not have the conviction that people should be receiving this because the state has, in a inequal society, that do not give opportunities to all, you should provide for these people. They are not receiving it because they want to. It's because there is no alternative for them. So what is important is to look at this as a right of the people that are receiving and not as a benefit given by the politician in charge.

So I think the main message will be Bolsa Família I think it will be better than it could develop to an unconditional cash transfer programme and maintaining the focus on poor families with children.

I don't think this happens only in Brazil, but it's sad. It's sad because when you have an experience that have proved itself as effective for almost 20 years, you still have these things going on. I think it really cannot erase these kinds of perceptions because it is a prejudice. It is impossible to change this perception with facts.

**Jo Sharpe:** Thanks to Tereza, Luis and Ricardo for their insights. If you're interested in learning more about Bolsa Família, please check the additional resources in the show notes. And if



you're interested in this kind of deep dive into famous flagship social protection programmes, please let us know what you'd like to hear featured next.

Before we go, we'll end with our quick wins segment. Each month, we'll ask a guest to give a quick roundup of news achievements, research, or knowledge that has sparked their interest, and that we think you should know more about.

This week we have with us Fabio Veras Soares who is a research coordinator at the International Policy Center for Inclusive Growth and the Institute for Applied Economic Research in Brazil. He has worked on the impact evaluations of cash transfers and other social programmes in many countries, including naturally in Brazil.

Welcome Fabio.

**Fabio Veras:** Thank you, Jo!

**Jo Sharpe:** So, continuing on from our main interview for this episode, you've brought with you a paper on the impact of Bolsa Familia on formal employment?

**Fabio Veras:** Yes. It's a paper that has been published in June, 2021. The paper is called "Cash Transfers and Formal Labor Markets: Evidence from Brazil. It's written by François Gerard, from the Queen Mary University of London, Joana Naritomi from the London School of Economics and Joana Silva from the World Bank.

So basically they use a natural experiment to identify the impact of the 2009 Bolsa Familia expansion on local formal employment and all the indicators of local economy activity, such as municipal GDP and tax paid in the municipality.

They actually compare how after the reform, the number of formal sector workers has increased or decreased. And what they find is that compared to the bottom 50% of the municipalities, in terms of the expansion, the top 50% actually saw an increase of 2% of total formal employment. Total payroll for private sector employees also increased by 1.7% after the reform, after the expansion of the Bolsa Família. Implying that the formal employment effect was actually concentrated among lower paid occupations.

The authors also show that the increase was totally driven by low skilled jobs and that the relative increase was similar to both men and women, but that there was a larger effects for black and mixed race population. They also showed that the increase was not concentrated among Bolsa Família beneficiaries.

Actually, it was concentrated on non-beneficiaries, but it's important to pay in mind that these results could be due to either formalization of informal jobs or new formal jobs. But in any case, the results seem to have led to increase in local economy activity.

**Jo Sharpe:** Thanks, Fabio. That's really interesting. And so how does that contrast with the findings of the second paper that you've brought on the effects of a family allowance in Uruguay?

**Fabio Veras:** Yeah. Talking about these potential negative effects on formal labour supply, there is also an interesting paper that came out this year in the Journal of Public Economics written by Marcelo Bergolo and Guillermo Cruces that look at a similar programme, a family allowance in Uruguay. And they do find that there is a disincentive to formalization around the eligibility cutoff points. Beneficiaries that are at the margin of the eligibility may not accept a formal job because they fear that they can lose the benefit.

And that impact is much larger for women, especially those who are mothers, than men. This result, for example, is in contrast with our paper by Ana de Holanda Barbosa and Carlos Henrique Corseuil from the Institute of Applied Economic Research in Brazil, that didn't find any impacts on labor reallocation between formal and informal sector, even looking at ours for the case of Bolsa Família in Brazil.

So potential negative effects on labor supply or formalization have been at the core of many of debates on how the design of these programmes should change to avoid them. And some of the suggestions have been actually that we need to complement these means tested cash transfers with active labor market policies.

And recently now with the reform of Bolsa Família that has just been presented by the government there are some suggestions that potential beneficiaries that accept a formal job, they can be paid a lump sum to incentivize them to get the formal of job. There is also people who advocate for a better design in terms of when you design the exit rules for this programme, you should not take away all the benefits.

It should be as smooth, a decrease in the benefits so that the beneficiaries wouldn't change the behavior and reject a formal sector job, for example, for fear of losing the benefit. And also, there are others that advocate for universal social transfer is the only way to avoid this type of negative effects.

For example, many people in Latin America now call for the CCTs to be transformed in sort of a universal child benefit that would not trigger any negative behavior response in terms of labor market participation. But I think that the bottom line here is that actually, even if there are negative effects on formal labor supply, the multiplier effects that are generated by these cash transfers in the local economy actually dominates these negative effects.

And also they showed that it's basically low skilled workers that are going to be benefits of the formalization of the jobs or the generation of new formal jobs.

**Jo Sharpe:** And as you say, it will be very interesting to consider as Brazilians thinking about the design of the new Auxílio Brasil programme and what the next steps are for social protection.

Thank you Fabio for your time today.

**Fabio Veras:** Thank you.



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